

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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October 18, 2001

Ms. Suzanne Clayton, Financial Services Manager
Beverly Healthcare
One Thousand Beverly Way
Fort Smith, Arkansas 72919

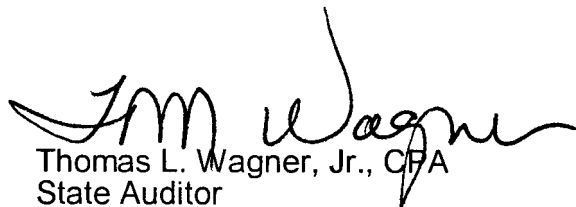
Re: AC# 3-MDH-J9 – Beverly Enterprises – South Carolina, Inc.
d/b/a Meadow Haven Nursing Home

Dear Ms. Clayton:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes
Mr. Cooper Cecil, Administrator

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME**

ROCK HILL, SOUTH CAROLINA

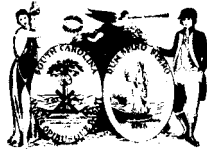
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MDH-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 9, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Beverly Enterprises – South Carolina, Inc. d/b/a Meadow Haven Nursing Home, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

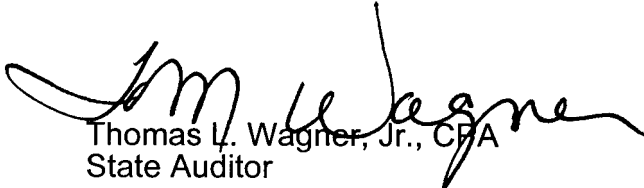
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Beverly Enterprises – South Carolina, Inc. d/b/a Meadow Haven Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Beverly Enterprises – South Carolina, Inc. d/b/a Meadow Haven Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 9, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MDH-J9

Interim reimbursement rate (1)	\$106.63
Adjusted reimbursement rate	<u>105.62</u>
Decrease in reimbursement rate	\$ <u><u>1.01</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 2000
 AC# 3-MDH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.39	\$54.01	
Dietary		10.44	10.12	
Laundry/Housekeeping/Maint.		<u>7.98</u>	<u>8.88</u>	
Subtotal	\$ <u>1.20</u>	71.81	73.01	\$71.81
Administration & Med. Rec.	\$ <u>-</u>	<u>14.23</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		86.04	<u>\$83.56</u>	82.36
<u>Costs Not Subject to Standards:</u>				
Utilities		3.13		3.13
Special Services		.17		.17
Medical Supplies & Oxygen		4.09		4.09
Taxes and Insurance		2.85		2.85
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$96.28</u>		92.60
Inflation Factor (3.20%)				2.96
Cost of Capital				9.52
Cost of Capital Limitation				(1.76)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				1.20
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nursing Aide Staffing Add-On 10/01/00				.39
Nursing Aide Staffing Add-On 10/01/99				<u>.71</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$105.62</u>

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MDH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,478,475	\$ 6,094 (5) 1,263 (5) 437 (6) 2,472 (7)	\$ 11,187 (2) 400 (6) 7,619 (7)	\$2,469,535
Dietary	484,387	-	1,663 (7)	482,724
Laundry	86,370	1,630 (7)	-	88,000
Housekeeping	158,208	-	88 (6) 1,474 (7)	156,646
Maintenance	124,958	102 (5)	763 (7)	124,297
Administration & Medical Records	653,089	2,100 (2) 2,915 (5) 315 (6) 1,923 (7)	1,945 (7)	658,397
Utilities	152,082	-	7,493 (3)	144,589
Special Services	13,244	5,453 (7) 3,646 (8)	14,393 (9)	7,950
Medical Supplies & Oxygen	220,977	2,486 (5) 2,035 (7) 2,463 (8) 436 (6)	25,666 (4) 12,860 (5) 788 (6)	189,083

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MDH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	132,013	-	-	132,013
Legal Fees	-	-	-	-
Cost of Capital	406,037	321 (1)	-	440,270
	<u> </u>	<u>33,912</u> (10)	<u> </u>	<u> </u>
Subtotal	4,909,840	70,003	86,339	4,893,504
Ancillary	24,342	9,087 (2)	-	59,095
		25,666 (4)		
Non-Allowable	627,683	88 (6)	321 (1)	601,773
		14,393 (9)	49 (7)	
			6,109 (8)	
	<u> </u>	<u> </u>	<u>33,912</u> (10)	<u> </u>
Total Operating Expenses	<u>\$5,561,865</u>	<u>\$119,237</u>	<u>\$126,730</u>	<u>\$5,554,372</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>

TOTAL BEDS 132

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MDH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$ 16,915	
	Cost of Capital	321	
	Nonallowable		\$ 321
	Fixed Assets		5,865
	Accumulated Depreciation		11,050
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Medical Records	2,100	
	Ancillary	9,087	
	Nursing		11,187
	To properly classify health information consultant and physician requested lab services DH&HS Expense Checklist		
3	Other Equity	7,493	
	Utilities		7,493
	To remove prior period expense HIM-15-1, Section 2302.1		
4	Ancillary	25,666	
	Medical Supply & Oxygen		25,666
	To reclassify IV Therapy Supplies to Ancillary DH&HS Expense Checklist		
5	Nursing	6,094	
	Restorative	1,263	
	Maintenance	102	
	Administration	2,915	
	Medical Supply & Oxygen - Oxygen	2,486	
	Medical Supply & Oxygen - Nursing Supplies		12,860
	To properly classify expenses DH&HS Expense Checklist State Plan, Attachment 4.19D		

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MDH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Restorative	437	
	Medical Records	315	
	Medical Supplies & Oxygen - Specialty Beds	436	
	Nonallowable	88	
	Nursing		400
	Housekeeping		88
	Medical Supplies & Oxygen - Nursing Supplies		788
	To disallow expenses not adequately documented and reclassify expenses HIM-15-1, Section 2304		
7	Restorative	2,472	
	Laundry	1,630	
	Administration	1,923	
	Medical Supplies & Oxygen	2,035	
	Special Services	5,453	
	Nonallowable		49
	Nursing		7,619
	Dietary		1,663
	Housekeeping		1,474
	Maintenance		763
	Medical Records		1,945
	To adjust the fringe benefit allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Special Services	3,646	
	Medical Supplies & Oxygen	2,463	
	Nonallowable		6,109
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
9	Nonallowable	14,393	
	Special Services		14,393
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MDH-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
10	Cost of Capital Nonallowable	33,912	33,912
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>143,645</u>	\$ <u>143,645</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-MDH-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>132</u>
Deemed Asset Value	4,773,780
Improvements Since 1981	1,518,145
Accumulated Depreciation at 9/30/99	<u>(1,376,601)</u>
Deemed Depreciated Value	4,915,324
Market Rate of Return	<u>.060</u>
Total Annual Return	294,919
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	294,919
Depreciation Expense	142,397
Amortization Expense	2,972
Capital Related Income Offsets	(18)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	440,270
Total Patient Days (Minimum 96% Occupancy)	<u>46,253</u>
Cost of Capital Per Diem	<u><u>\$ 9.52</u></u>

BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.
D/B/A MEADOW HAVEN NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MDH-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 3.77
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.76</u>
Reimbursable Cost of Capital Per Diem	\$ 7.76
Cost of Capital Per Diem	<u>9.52</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.76)</u>

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